Gov. Leavitt, Legislature Should Jump-Start Wind Power in Utah

By Christine Watson, Cathy L. Hartman and Edwin R. Stafford

Is Utah ready for renewable energy? Last month's initial meeting of the Utah Wind Working Group, sponsored by the Utah Energy Office, appears to indicate so.

More than 45 landowners, business people, wind developers, lawyers, academics, utility representatives, federal and state government representatives and Farm Bureau members met in Salt Lake City to begin developing a "road map" for jump-starting wind power markets in the state. Technological advances have made wind power increasingly cost-effective, and it is now the world's fastest-growing energy source. With Utah's population expected to grow 70 percent over the next three decades, adding clean, renewable wind energy is necessary to accommodate new demand and diminish the impact of price shocks associated with fossil fuels.

Evidence of wind power's viability comes, surprisingly, from Texas. Since 1999, the state has moved from having virtually no renewable energy sources to become the nation's second-largest wind producing state behind California. *The Wall Street Journal* dubbed the state's rapid development as "The New Texas Wind Rush." Placed about every 25 acres, each wind turbine yields about $3,200 annually in royalties to landowners, and wind development has provided opportunities for local businesses supplying labor, steel, concrete, roads, turbine components and electrical and engineering services, bolstering state and local tax revenues. How did the leading oil and gas state diversify so quickly?

In 1999, then-Gov. Bush signed legislation that combined an ambitious renewable energy mandate with a system of "renewable trading credits" allowing utilities and energy producers flexibility in how they complied. Called a "renewable portfolio standard" (RPS), energy producers serving the state had to acquire a specified number of renewable energy credits. Producers could either generate credits by investing in renewable energy projects or purchase credits from other energy producers who generated excess credits. RPS created market efficiency by encouraging companies to choose their lower-cost alternative.

Renewable energy producers' ability to generate credits to sell created additional incentives to expand renewable sources, encouraging economies of scale and driving renewable energy costs even lower. RPS has been so successful that Texas is well-ahead of schedule on its goal of adding 2,000 megawatts (*MW*) of renewable energy by 2009, and the cost of wind power is now competitive with traditional fossil-fuel-fired electricity.

Utah had the opportunity to pass a similar law this past legislative term, but the RPS bill never got out of committee. "Mandate" is an unpopular word in Utah as many politicians assert that they prefer "markets over mandates." Unfortunately, because electrical utilities are regulated monopolies, free markets can't encourage renewable energy development. State governments have jurisdiction over retail electricity sales, and pressures for modernization must be provided by the Legislature. In short, RPS is a policy mandate needed to "create a market."

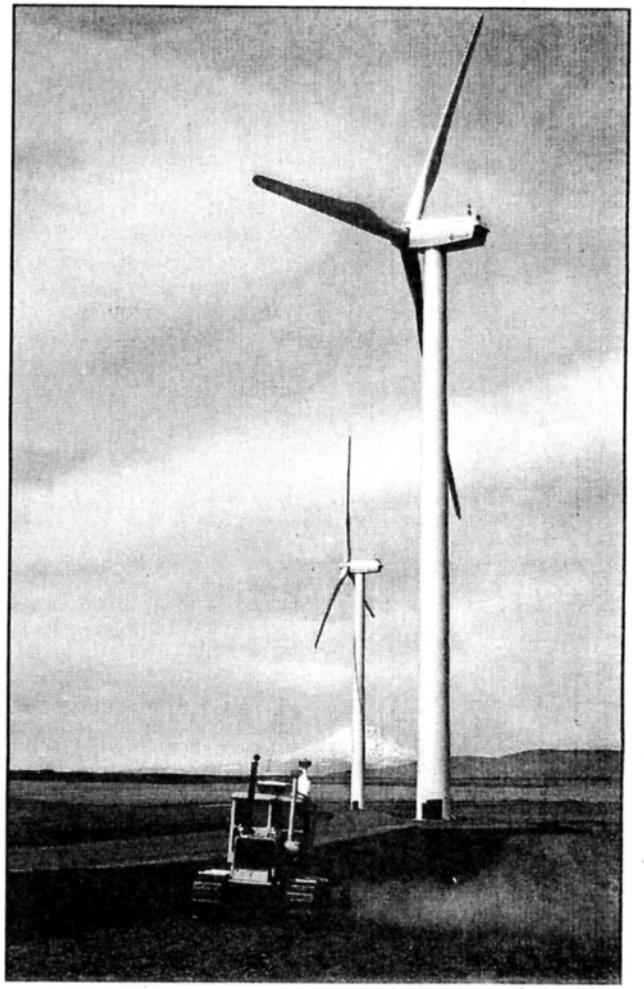
Aside from RPS, tax incentives also can support renewable energy, and this past month, the Wyoming Legislature passed a sales-tax incentive to promote their growing renewable energy industry. During the past few days of the Utah legislative session, Rep. James R. Gowans, D-Tooele, presented a similar tax incentive bill that passed the House of Representatives, but never got introduced in the Senate.

The economic consequences of Utah's failure to pass a tax incentive could be evident in the coming months. Utah Power is expected to request development of 200 *MW* of wind energy in Utah and/or Wyoming. Given the tax advantages in Wyoming, much of this $200 million investment could bypass Utah.

In the coming decade, Utah Power and its parent company, PacifiCorp, have announced the need to develop about 4,000 *MW* of new power sources to serve growing populations in Oregon, Washington, California, Idaho, Utah and Wyoming. Analysis of its current "mix" of energy sources and future fossil fuel costs has convinced PacifiCorp that adding 1,400 *MW* of wind and possibly geothermal presents a good, "least cost, lowest risk" investment option. Approximately 720 *MW* of renewable energy development has been designated for Utah and Wyoming. Without RPS or tax incentives, however, Utah risks losing out on this economic opportunity as well.

Gov. Mike Leavitt's energy policy calls for the development of reliable, affordable, sustainable, clean energy. Wind is just that. Members of the Utah Wind Working Group recognize that wind-power development in Utah can help keep local dollars spent on electricity in local communities rather than on projects in other states. Without a change in current policies to promote renewable energy, however, Utah is likely to miss out on the economic opportunities of the world's fastest-growing energy source.

Christine Watson is an energy engineer at the Utah Energy Office. Cathy L. Hartman and Edwin R. Stafford are marketing professors at Utah State University. The authors serve on the Utah Wind Working Group.



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Wind turbines tower over a tractor as the surrounding farmland is prepared for summer wheat near Wasco, Ore. Each wind turbine yields about $3,200 a year in royalties to landowners.